

ANNUAL REPORT 1966



THE SHERWIN-WILLIAMS COMPANY
OF CANADA, LIMITED

THE SHERWIN-WILLIAMS COMPANY
OF CANADA, LIMITED
AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS

	1966	1965
Net Sales	\$37,368,092	\$36,120,471
Income Before Income Taxes	943,114	1,468,359
Income Taxes	232,250	643,000
Net Income	710,864	825,359
Per Share of Common Stock	2.09	2.60
Cash Dividends Declared:		
Preferred	242,200	242,200
Common	404,496	382,024
Working Capital	10,815,441	11,540,634
Ratio of Current Assets to Current Liabilities	2.64 to 1	3.18 to 1
Expenditures for Plant Additions	1,470,264	567,907
Provision for Depreciation	378,890	363,098
Shareholders Equity:		
Preferred	3,460,000	3,460,000
Common	10,324,648	10,260,480
Outstanding Shares at August 31:		
Preferred	34,600	34,600
Common	224,720	224,720
Number of Shareholders at August 31:		
Preferred	493	509
Common	482	470
Number of Employees at August 31	1,683	1,738

TO THE SHAREHOLDERS:

The Consolidated Balance Sheet and the Consolidated Income and Earned Surplus Statement of The Sherwin-Williams Company of Canada, Limited and its subsidiaries at the close of the fiscal year August 31, 1966 are presented herewith. The report on the examination of the financial statement of the Company by your auditors, Messrs. Ernst and Ernst, is also presented.

After depreciation and after all deductions, but before taxes on income, profits from operations amounted to \$943,114 against \$1,468,359 last year. After net income taxes, income amounted to \$710,864 against \$825,359 last year, a decrease of 14% approximately. Net income per share of Preferred Stock amounts to \$20.55 against \$23.85 last year, and after dividends on the Preferred Stock to \$2.09 per share on the Common Stock against \$2.60 last year.

Total sales, and particularly paint sales, exceeded all previous records. Profit declined considerably, however, as reference to the Consolidated Income Statement will show, due to a combination of unfavorable factors.

Competitive pressures on prices resulted in lower gross profit margins. There was a considerable increase in expenses because of the continually rising cost of doing business, and there were much higher bank interest and pensions expenses.

The increase in pensions cost was a result of the introduction of Federal

and Provincial Government Pensions Plans. Interest expenses rose largely because of the construction of our new Research and Technical Development Laboratory. As this project was undertaken when an amendment was made to Income Tax Legislation, the effect was to enable most of the cost of this project to rank for accelerated depreciation.

We expect to show a significant reduction in indebtedness to bankers at the end of this now current fiscal year. Measures have been or will be taken to endeavor to improve considerably on last year's results.

Mention has been made of the new Laboratory which provides facilities ranking among the most modern and efficient in the industry. They will enable us constantly to improve the quality standards of our products and to extend the already wide range of them so that we can maintain or improve our position in the numerous markets we serve.

The results obtained by our branches were very gratifying and improvements in sales came from all the markets in which they are active, even though only three new branches were opened during the year. This group of stores, now numbering 129, is quite the largest of its kind in the country and provides unrivaled service to paint dealers and to many different kinds of paint and associated product users.

Sales to our many thousands of dealers, industrial, painter and main-

tenance accounts were higher and introduction of several new products enabled us to obtain deeper penetration of important markets.

The Green Cross (Agricultural Chemicals) Division continued its excellent progress both in sales and in product innovation. It is now surveying overseas markets, some of which appear to offer good prospects for the future.

Improved results came from two other subsidiary operations, The Winnipeg Paint and Glass Company Limited, and The E. Harris Company

which specializes in the sale of Graphic Arts materials.

At the last Annual Shareholders' Meeting Mr. Claude Robillard was elected to the Board of Directors. We take this opportunity of expressing our pleasure that such a distinguished Canadian engineer and businessman is able to include the interests of our Company in the wide range of his activities.

Our thanks are extended to all our employees for their efforts which in some areas had to be carried out in face of many difficulties.

E. C. Baldwin
Chairman

Sidney King
President

MONTREAL, QUEBEC
October 14, 1966

THE SHERWIN-WILLIAMS COMPANY OF

	Assets	
	August 31,	
	1966	1965
<i>Current Assets</i>		
Cash	\$ 52,200	\$ 51,500
Trade accounts receivable, less allowances for doubtful accounts of \$142,700 in 1966 and \$142,000 in 1965	7,518,888	7,018,828
Inventories — principally at the lower of cost (average or first-in, first-out method) or market:		
Finished merchandise	7,135,842	7,366,467
Work in process, raw materials and supplies	2,399,300	2,399,986
	\$ 9,535,142	\$ 9,766,453
Recoverable income taxes	296,905	—
TOTAL CURRENT ASSETS	\$17,403,135	\$16,836,781
<i>Investment and Other Assets</i>		
Common shares of The Carter White Lead Company of Canada Limited (50% owned) — at cost	\$ 200,000	\$ 200,000
Miscellaneous receivables and advances	58,896	58,094
	\$ 258,896	\$ 258,094
<i>Property, Plant and Equipment</i>		
— on the basis of cost:		
Land	\$ 607,442	\$ 591,893
Buildings	5,608,777	4,524,308
Machinery and equipment	7,685,494	7,398,541
Less allowances for depreciation	8,982,477	8,714,636
	\$ 4,919,236	\$ 3,800,106
<i>Deferred Charges</i>		
Advertising stock and supplies	\$ 188,299	\$ 180,748
Prepaid insurance and other items	135,880	127,098
	\$ 324,179	\$ 307,846
	\$22,905,446	\$21,202,827

Note — During the year ended August 31, 1966, the Company elected to record tax reductions (permitted under Section 72A of the Income Tax Act) as income in the year received rather than to amortize such tax reductions over the lives of certain research facilities. This election had the effect of increasing net income for the year 1966 by \$258,750 of which amount \$38,250 applied to the year 1965.

CANADA, LIMITED AND SUBSIDIARIES

Liabilities, Capital Stock and Surplus

August 31,

	1966	1965
<i>Current Liabilities</i>		
Owing to bank	\$ 1,849,015	\$ 568,988
Trade accounts payable	3,505,598	3,453,716
Payrolls, compensation and other accruals . .	807,104	714,181
Taxes, other than income taxes	383,852	372,952
Income taxes	42,125	186,310
TOTAL CURRENT LIABILITIES.	\$ 6,587,694	\$ 5,296,147
 <i>Unfunded Pension Costs Reduced to a Net of Tax Basis</i>	 2,039,654	 2,100,000
 <i>Deferred Income Taxes.</i>	 493,450	 86,200
 <i>Capital Stock and Surplus</i>		
Capital stock:		
Preferred shares, 7% cumulative, par value \$100 per share:		
Authorized — 40,000 shares		
Outstanding — 34,600 shares	\$ 3,460,000	\$ 3,460,000
Common shares, no par value:		
Authorized — 225,000 shares		
Outstanding — 224,720 shares	224,720	224,720
Earned surplus	10,099,928	10,035,760
	\$13,784,648	\$13,720,480
	 <u>\$22,905,446</u>	 <u>\$21,202,827</u>

Approved on behalf of the Board:

Claude Robillard, Director

J. A. Fuller, Director

STATEMENTS OF CONSOLIDATED INCOME AND EARNED SURPLUS

THE SHERWIN-WILLIAMS COMPANY

OF CANADA, LIMITED

and subsidiaries

<i>Income</i>	Year Ended August 31,	
	1966	1965
Net sales.	\$37,368,092	\$36,120,471
Dividends received	50,000	50,000
Miscellaneous.	—	28,796
	\$37,418,092	\$36,199,267
Deductions from income:		
Cost of products sold	\$24,179,728	\$23,156,329
Selling, general and administrative expenses	11,428,493	10,960,448
Company and government pension cost	504,835	314,578
Interest expense	285,830	197,707
Remuneration of officers and directors' fees.	76,092	101,846
	\$36,474,978	\$34,730,908
INCOME BEFORE INCOME TAXES		
	\$ 943,114	\$ 1,468,359
Income taxes:		
Payable currently	\$ 180,250	\$ 518,550
Recoverable due to loss carry-back	(317,000)	—
Deferred	369,000	124,450
	\$ 232,250	\$ 643,000
NET INCOME		
	\$ 710,864	\$ 825,359
Provisions for depreciation included above amount to \$378,890 in 1966 and \$363,098 in 1965.		

Earned Surplus

Balance at beginning of year	\$10,035,760	\$11,934,625
Deduct amount of unfunded pension costs reduced to a net of tax basis	—	2,100,000
	\$10,035,760	\$ 9,834,625
Net income for the year	710,864	825,359
	\$10,746,624	\$10,659,984
Cash dividends declared:		
Preferred — \$7.00 per share	\$ 242,200	\$ 242,200
Common — \$1.80 per share (1965 — \$1.70)	404,496	382,024
	\$ 646,696	\$ 624,224
Balance at end of year.		
	\$10,099,928	\$10,035,760

See note to the consolidated financial statement.

ACCOUNTANTS' REPORT

*To the Shareholders,
The Sherwin-Williams Company
of Canada, Limited.*

We have examined the consolidated financial statement of The Sherwin-Williams Company of Canada, Limited and its subsidiaries for the year ended August 31, 1966, comprising the consolidated balance sheet as at that date and the statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statement presents fairly the consolidated financial position of The Sherwin-Williams Company of Canada, Limited and its subsidiaries at August 31, 1966, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change, in which we concur, in the treatment of certain tax reductions as described in the note to the financial statement, have been applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Chartered Accountants.

September 28, 1966.

THE SHERWIN-WILLIAMS COMPANY
OF CANADA, LIMITED

Executive Offices 2875 CENTRE STREET, MONTREAL 22, CANADA

Factories Montreal, Toronto, Winnipeg, and Vancouver
and Warehouses Distributing Warehouses and Branches in principal cities

Manufacturers of PAINTS, VARNISHES and ENAMELS for buildings,
for industry, for automobiles, and for marine uses
GREEN CROSS INSECTICIDES, PESTICIDES
and AGRICULTURAL CHEMICALS
The E. Harris Company range of GRAPHIC ARTS products
SUPER KEM-TONE, KEM-GLO, KEM-GLO VELVET and
KEM HI-GLOSS, the world's largest selling paints for home owners

<i>Directors</i>	E. COLIN BALDWIN	SIDNEY LING	CLAUDE ROBILLARD
	R. F. CURLEY	T. R. McLAGAN	A. W. STEUDEL
	J. A. FULLER	C. E. RECKITT	H. G. WELSFORD
	A. M. HECTOR		

<i>Officers</i>	A. W. STEUDEL	<i>Honorary Chairman</i>
	E. COLIN BALDWIN	<i>Chairman</i>
	SIDNEY LING	<i>President and Managing Director</i>
	R. F. CURLEY	<i>Executive Vice-President and Director of Sales</i>
	C. E. RECKITT	<i>Vice-President and Secretary-Treasurer</i>
	A. M. HECTOR	<i>Vice-President and Director of Distribution</i>

THE CANADA PAINT COMPANY LIMITED

Head Office, 2859 Centre Street, Montreal, P.Q.

THE E. HARRIS COMPANY LIMITED

Head Office, 1 Leslie Street, Toronto, Ont.

THE LOWE BROTHERS COMPANY LIMITED

Head Office, 263 Sorauren Ave., Toronto, Ont.

THE MARTIN-SENOUR COMPANY LIMITED

Head Office, 2875 Centre Street, Montreal, P.Q.

THE WINNIPEG PAINT AND GLASS COMPANY LIMITED

Head Office, 179 Pioneer Ave., Winnipeg, Man.

